



# An Audit of the **Texas A&M University Health Science Center**

**Audit Report # 709-18-01**  
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# Executive Summary

## Purpose and Scope

Objectives of the Texas A&M University Health Science Center (Center) audit were to determine whether:

- Payments were processed according to applicable state laws, Comptroller requirements, and statewide automated system guidelines.
- Documentation to support those payments was appropriately maintained.
- Capital and high-risk assets were properly recorded.
- Appropriate security over payments was implemented.

This audit is conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period beginning Dec. 1, 2015, through Nov. 30, 2016.

## Background

Founded in 1999, the Texas A&M Health Science Center was established as an independent state agency of The Texas A&M University System to organize all health-related entities across Texas A&M into one comprehensive health-related institution. The institution transitioned in 2013 into an academic unit of Texas A&M University while still maintaining its state agency status.

Texas A&M Health Science  
Center website




[https://www.tamhsc.edu/  
about/history.html](https://www.tamhsc.edu/about/history.html)

## Audit Results

The Center generally complied with the General Appropriations Act (GAA), other relevant statutes, and Comptroller requirements. Auditors found no issues with purchase, grant, payment card, travel card transactions, property management, and the security and internal controls review. However, the Center should consider improving controls over verification of prior state service and the Center's use of T-codes and billing account numbers.

The auditors reissued one finding from the last audit conducted at the Center related to incorrect payment of longevity. Auditors originally issued this finding in April 2013. An overview of audit results is presented in the following table.

## Table Summary

Area	Audit Question	Results	Rating
<u>Payroll Transactions</u>	Did payroll transactions comply with all pertinent statutes and Comptroller requirements?	 The Center did not verify prior state service for one of 30 employees tested.  The Center calculated prior state service incorrectly for one employee.  The Center incorrectly paid longevity pay to four faculty members.	Compliant, Findings Issued
Purchase Transactions	Did purchase transactions comply with all pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Travel Transactions</u>	Did travel transactions comply with all pertinent statutes and Comptroller requirements?	The Center used an incorrect billing account number on 327 transactions.	Compliant, Findings Issued
Grant Transactions	Did grant transactions comply with all pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Prompt Payment Interest Transactions	Did prompt payment interest transactions comply with all pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Payment Card Transactions	Did payment card transactions comply with all pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Travel Card Transactions	Did travel card transactions comply with all pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Internal Control Structure	Are incompatible duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	No issues	Fully Compliant



Repeat Finding





Area	Audit Question	Results	Rating
Security	Are Center employees who are no longer employed, or whose security was revoked properly communicated to the Comptroller's Office?	No issues	Fully Compliant
Fixed Assets	Were tested assets in their intended location and properly reported in the State Property Accounting System?	No issues	Fully Compliant
<u>Analytical Analysis</u>	Did the transactions comply with pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"><li>• The Center used an incorrect transaction code on six transactions.</li><li>• The Center used an incorrect mail code on 23 transactions.</li></ul>	Compliant, Findings Issued



Repeat Finding

## Key Recommendations

Auditors made several recommendations to help mitigate risk arising from control weaknesses. Key recommendations include:

- The Center must ensure all prior state service verifications are properly documented, accurate, and maintained in the personnel files.
- The Center must review the job classifications of all employees to ensure that only employees eligible to receive longevity pay are receiving longevity pay.
- The Center must ensure the appropriate T-codes and vendor names are used when processing reimbursements.
- The Center must ensure that service centers are set up correctly in TINS, and that payments to the service centers use the correct mail code.
- The Center must ensure that the billing account number is entered using the format required by [\*Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)\*](#) and [\*USAS and CAPPS Financials Invoice Number Field Requirements \(FPP E.023\)\*](#).



# Detailed Findings

## Payroll Transactions

Auditors developed a representative sample of 30 employees (144 payroll transactions) totaling \$937,694.73 to ensure that the Center complied with the GAA, other relevant statutes and Comptroller requirements. Audit tests revealed the following exceptions in payroll transactions.

### Missing Prior State Service Verification/Incorrect Longevity Payment

We identified one employee missing prior state service verification. The employee listed prior state service on the Center's statement of previous Texas state employment form. The Center did not have documentation to show state service verification was conducted at the time the employee was hired and explained this was due to oversight, resulting in an overpayment in longevity of \$20.

During the audit, the Center conducted the prior state service verification for the employee in our sample, provided the auditor with the required documentation to validate the longevity pay amounts, and updated the Center's internal payroll system for the employee. The modification resulted in an increase on the employees' longevity pay calculation; however, the Center has since determined the employee should be classified as a faculty employee and is not eligible to receive longevity pay.

When an agency hires an employee, the agency must research and document whether the employee has prior state service. See [Texas Payroll/Personnel Resource – Required Documentation \(FPP F.027\)](#). If there is prior state employment, the agency must:

- Confirm the amount of lifetime service credit.
- Compute the correct amount of longevity pay entitlement.

If the agency fails to verify an employee's prior state service, the lifetime service credit for longevity will be based on the employment date at the new agency and the eligible employee might be underpaid longevity pay. See [Texas Payroll/Personnel Resource – Longevity Pay](#).

### Recommendation/Requirement

We recommend the Center continue to research and verify prior state service for its employees. In addition, the Center must ensure all prior state service verifications are properly documented, accurate and maintained in the personnel files. Employees' job classifications should also be reviewed to ensure employees are eligible for longevity pay.



## Center Response

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*All new employees now receive an automated Workday inbox item advising them to complete the state service verification process to obtain months of prior state service creditable towards vacation accruals and longevity/hazardous duty pay. Once the forms are completed and verified, the prior state service months are entered in Workday. At that time it is also determined if any corrections need to be made to vacation accruals or longevity/hazardous duty payments. All state service verifications are then placed in our imaging system, Laserfiche.*

## Incorrect State Effective Service Date/Incorrect Longevity Payment

In a report generated outside of the sample, we identified four faculty members who received longevity pay in error for a total of \$13,496.45, because they were in full-time academic positions. Faculty employees in full-time academic positions at an institution of higher education are not eligible for longevity pay. See [Texas Government Code, Section 659.042](#) and [Texas Payroll/Personnel Resource – Longevity Pay](#).

Additionally, we identified one employee whose prior state service was incorrectly calculated and entered into the Center's payroll system resulting in an overpayment in longevity of \$20 within the sample, and \$80 in total.

When an agency hires an employee, the agency must research whether the employee has prior state service. If there is prior state employment, the agency must:

- Confirm the amount of lifetime service credit.
- Compute the correct amount of longevity pay entitlement.

See [Texas Payroll/Personnel Resource – Required Documentation](#).

## Recommendation/Requirement

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We recommend the Center continue to research and verify prior state service for its employees. In addition, the Center should ensure all prior state service verifications are accurate, properly documented, and maintained in the personnel files. Employees' job classifications should also be reviewed to ensure employees are eligible for longevity pay. The Center must promptly correct the underpayment through supplemental payroll. See [34 Texas Government Code Section 5.40\(c\)](#). The Center should consider recovering the overpayments made to employees in accordance with [Texas Government Code, Chapter 666](#).



## Center Response

*All new employees now receive an automated Workday inbox item advising them to complete the state service verification process to obtain months of prior state service creditable towards vacation accruals and longevity/hazardous duty pay. Once the forms are completed and verified, the prior state service months are entered in Workday. At that time it is also determined if any corrections need to be made to vacation accruals or longevity/hazardous duty payments. All state service verifications are then placed in our imaging system, Laserfiche. The departments impacted received updated instructions on how to update a faculty member's job classification to prevent incorrect longevity payments.*

## Purchase Transactions

Auditors developed a representative sample of 50 purchase transactions totaling \$5,440,745.72 to ensure that the Center complied with the GAA, other relevant statutes and Comptroller requirements. Audit tests revealed no exceptions in these transactions.

## Travel Transactions

Auditors developed a representative sample of 20 travel transactions totaling \$1,350.71 to ensure that the Center complied with the GAA, other relevant statutes and Comptroller requirements. Audit tests revealed no exceptions in these transactions.

We identified 327 transactions in a report outside the sample where the Center did not process the transactions correctly, as required by [FPP A.043](#).

## Incorrect Billing Account Number

We performed analytical analysis outside of the sample to identify potential payments processed incorrectly to third-party vendors during the audit period. During our review of this report, we identified 327 travel card documents processed incorrectly to the state's travel card vendor. The incorrect payments totaled \$203,432.77.

Comptroller policy requires agencies follow a process in order to appropriately interface with the credit card vendor's automated systems.

The Center failed to provide the correct billing account number as prescribed by [FPP A.043](#). Both of these policies require that the last 10 digits of the central billing account (CBA) number is to be used as the invoice number in the Uniform Statewide Accounting System (USAS) and the Centralized Accounting and Payroll/Personnel System (CAPPS) when processing CBA card payments. If the agency wishes to include other information after the 10 digits, such information must be separated from the 10 digits with a dash (-), without spaces before or after the dash.





Citibank's system posts payment received from the state based on information in USAS and CAPPs Financials, and the automated interface expects the last 10 digits of the CBA number, with no spaces or dashes. If Citibank's system retrieves an unexpected value, it will be unable to post the payment automatically, which might lead to delays in posting and a loss of rebate dollars.

[FPP A.043](#) and [FPP E.023](#) comply with the current Payment Card Industry (PCI) Data Security Standard (DSS). The DSS requirement "Protect stored cardholder" (Requirement 3) dictates that the primary account number be rendered unreadable anywhere it is stored; for example, by truncating a portion of the account number. The FPPs comply with this requirement by truncating the first six digits of the CBA number. Therefore, the FPPs should be fully and consistently followed for every payment transaction.

## Recommendation/Requirement

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The Center must enhance its procedures to ensure payments for third-party transactions are processed in accordance with [FPP A.043](#) and [FPP E.023](#). To avoid any account delinquency or reconciliation issues, we recommend the Center reviews payment card statements to ensure the payments were posted correctly.

## Center Response

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*The HSC agrees with requirements concerning third-party transactions, and software upgrades have been made to comply with FPP A.043 concerning vendor information entered on USAS transactions.*

*TAMU (on behalf of HSC) implemented a payment process with CitiBank to have payments sent via ACH directly to a bank account that is tied to the 16-digit account number. The bank account number used for the ACH transaction is actually the 16-digit master payment card or travel account number with Citibank which reduces any possible posting errors. In addition each month statements are reviewed to verify the previous month's statement payment has posted correctly.*

## Comptroller Response

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In addition to the actions the Center has taken, it must ensure that the information entered into the invoice number field in USAS and CAPPs complies with the requirements in FPP A.043. The last ten digits of the central billing account number must be entered into the invoice number field, with any additional information separated from the account number by a dash.



## Grant Transactions

Auditors reviewed all 19 grant transactions processed during the audit period, totaling \$40,821.27, to ensure that the Center complied with the GAA, other relevant statutes and Comptroller requirements. Audit tests revealed no exceptions in these transactions.

## Prompt Payment Interest Transactions

Auditors developed a representative sample of 14 prompt payment interest transactions totaling \$60.86, to ensure that the Center complied with the GAA, other relevant statutes and Comptroller requirements. Audit tests revealed no exceptions in these transactions.

## Payment Card Transactions

Auditors developed a representative sample of 26 payment card transactions totaling \$54,832.64 to ensure that the Center complied with the GAA, other relevant statutes and Comptroller requirements. Audit tests revealed no exceptions in these transactions.

## Travel Card Transactions

Auditors developed a representative sample of 15 travel card transactions totaling \$7,916.89 to ensure that the Center complied with the GAA, other relevant statutes and Comptroller requirements. Audit tests revealed no exceptions in these transactions.

## Internal Control Structure

Auditors reviewed the Center's employees' access to various Comptroller systems to determine if any individuals had multiple security abilities allowing the employees to process payments through the systems without oversight by any other individual. Audit tests revealed no exceptions in this review.

## Security

Auditors conducted a security review that entailed identifying any of the Center's employees with security in USAS or on the voucher signature cards, who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be observed so that security can be revoked in a timely manner. Audit tests revealed no exceptions in this review.



## Fixed Assets

Auditors reviewed a limited number of fixed assets acquired by expenditures during the audit period to test for proper tracking in the Center's internal system. All assets tested were in their intended location, properly tagged, and properly recorded in the State Property Accounting system.

## Analytical Analysis

We ran a report outside of the sample to identify instances where the Center used incorrect transaction codes. Audit tests revealed the following exceptions:

### Incorrect Transaction Code (T-Code)

We identified six purchase transactions reimbursement documents totaling \$42,333.28 where the Center did not follow appropriate processing guidance. The Center made a direct payment instead of recognizing the individual reimbursement amounts as required by CPA policy. The incorrect accounting treatment can affect the determination of prompt payment interest in USAS. [FPP A.043](#) explains how state agencies must process third-party payments in USAS.

### Recommendation/Requirement

The Center must ensure the appropriate accounting treatments are used when processing reimbursement to local funds to guarantee the proper determination of prompt payment interest in USAS and capture the names of the vendors doing business with the state. Using the correct T-codes will also ensure accurate reporting of expenditures for public information requests and proper employee and vendor level detail information required by [FPP A.043](#) is entered in USAS, the accounting system of record for the state of Texas.

### Center Response

*Additional training has been conducted to ensure employees utilize proper T-codes when processing USAS documents. We agree that proper T-code usage is important in determination of prompt payment transactions, identifying which vendors are doing business with the state, and reporting transactions for open record inquiries.*

### Incorrect Mail Code Used on Payments to Service Departments

In a report generated outside of our sample, we identified 23 transactions totaling \$1,499,332.83, where the incorrect mail code was used when making payments to service centers.





The Center processed the reimbursements in USAS using its own mail code instead of creating a unique mail code for each service center. Each service center is required to have a unique mail code.

Improper processing procedures can result in the inaccurate reporting of expenditures for public information requests. See [FPP A.043](#), which explains how state agencies and institutions of higher education must process third-party payments through USAS.

### Recommendation/Requirement

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The Center must ensure payments from the state treasury to the service centers include the proper vendor information in the Texas Identification Number System (TINS). Each On-Campus and Auxiliary Enterprise Service Center that provides goods or services for the Center must have its own individual mail code set up in TINS.

### Center Response

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*The HSC will work to ensure Service Centers are set up with separate mail codes in TINS, and those mail codes are utilized when making payments to Service Centers.*



# Appendices

## Appendix 1 — Objectives, Scope, Methodology, Authority and Team

### Audit Objectives

The objectives of this audit were to:

- Ensure payments are documented so a proper audit can be conducted.
- Ensure payment vouchers are processed according to the requirements of the Uniform Statewide Accounting System (USAS) and any of the following systems:
  - The Uniform Statewide Payroll/Personnel System (USPS).
  - The Standardized Payroll/Personnel Report System (SPRS).
  - The Human Resource Information System (HRIS).
  - The Centralized Accounting and Payroll/Personnel System (CAPPS).
- Verify payments are made in accordance with certain applicable state laws.
- Verify assets are in their intended locations.
- Verify assets are properly recorded for agencies and institutions of higher education that use the State Property Accounting (SPA) system.
- Verify voucher signature cards and systems security during the audit period are consistent with applicable laws, rules and other requirements.

### Audit Scope

We audited a sample of the Texas A&M University Health Science Center's payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) during the period beginning Dec. 1, 2015, through Nov. 31, 2016, to determine compliance with applicable state laws.

The Center receives appendices with the full report that includes a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

*Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.*

The audit provides a reasonable basis for the findings set forth in this report. The Center should implement the recommendations listed in the detailed findings of this report. It is the Center's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the Center's documents comply in the future. The Center must ensure that the findings discussed in this report are resolved.



## **Audit Methodology**

The Expenditure Audit section uses limited sampling to conduct a post-payment audit.

## **Fieldwork**

Each auditor in the Expenditure Audit section approaches each audit with an appropriate level of professional skepticism based upon the results of the initial planning procedures.

If an auditor suspects during an audit that fraud, defalcations or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor, the Statewide Fiscal Oversight manager, or both, to decide what course of action or additional procedures would be appropriate.

## **Audit Authority**

State law prohibits the Comptroller's office from paying a claim against a state agency unless the Comptroller's office audits the corresponding voucher.

- Texas Government Code, Sections 403.071(a), 403.078, 2103.004(a)(3).

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher.

- Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis.

- Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

## **Audit Team**

*Raymond McClintock, Lead Auditor*

*Melissa Hernandez*

*Aleks Necak*





## Appendix 2 — Definition of Ratings

### Compliance Areas

Definition	Rating
Agency complied with applicable state requirements and no significant control issues existed.	Fully Compliant
Agency generally complied with applicable state requirements; however, control issues existed that impact the agency's compliance, or minor compliance issues existed.	Compliant, Findings Issued
Agency failed to comply with applicable state requirements.	Non-compliant

### Internal Control Structure/Security Areas

Definition	Rating
Agency maintained effective controls over payments.	Fully Compliant
Agency generally maintained effective controls over payments; however, some controls were ineffective or not implemented.  These issues are unlikely to interfere with preventing, detecting, or correcting errors or mitigating fraudulent transactions.	Control Weakness Issues Exist
Agency failed to effectively create or implement controls over payments.	Non-compliant

### Repeat Finding

Definition	Icon
This issue was identified during the previous post-payment audit of the agency.	A circular icon with a double arrow forming a loop, indicating a repeat finding.